

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
18-May-21	Reserve Bank of Australia (RBA) meeting minutes	NA	NA
19-May-21	Australia consumer confidence (May)	118.8	NA
19-May-21	US Federal Reserve (Fed) meeting minutes	NA	NA
20-May-21	Australian unemployment rate	5.6%	5.6%
21-May-21	UK composite PMI (May)	60.7	61.8
21-May-21	Europe composite PMI (May)	53.8	54.9
21-May-21	US composite PMI (May)	63.5	NA

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Business confidence surged in an otherwise quiet week last week, likely on the back of leaked budget initiatives.

The Federal budget included a raft of stimulatory measures aimed at bridging the gap between the current phase of economic recovery and later stages when international borders reopen. The budget position has improved dramatically over the last few months, although almost the full AUD 106 billion windfall has been earmarked to help the most vulnerable and ensure Australia's economic recovery continues. The measures are numerous and cover areas such as personal tax breaks, increased childcare subsidies and support for the tourism industry, to name a few. While the impact would appear positive for equities, within fixed income markets there is the prospect that increased debt issuance and an improved growth outlook may put downward pressure on bond prices.

Consumer confidence, wage growth and the labour force survey will all be released this week along with the RBA minutes.



US

Inflation has been a big focus this year, with the expected surge now well and truly under way. The April CPI number was three times higher than expected, with the core measure up 0.9% over the month. The annual number jumped to 3% for the core series and is expected to gain further in the months ahead, before peaking in June and then easing in the second half of the year. Elsewhere, retail sales, industrial production and consumer sentiment were all weaker than expected last week.

Markets were volatile last week, with the above-consensus CPI print prompting a sharp sell-off on Wednesday that then partially recovered over the remainder of the week. While the magnitude of inflation was a surprise, the theme of rising inflation certainly was not, and the Fed will be expected to look beyond the current spike, keeping policy settings ultra-accommodative for the foreseeable future.

Building permits, housing starts, and the PMI series are the data highlights this week. The Fed minutes will also be released.



Europe

UK GDP fell by less than expected in Q1, but the negative outcome confirmed a double-dip recession. The economy contracted by 1.5% over the quarter to sit 6.1% below the level recorded at the end of Q1 2020. The stronger-than-expected result in Q1 bodes well for Q2, where a strong rebound is expected as the economy emerges from lockdown. The positive UK data was also reflected in the March industrial production number, which was stronger than expected, although the European result was weaker.

In Europe, attention is turning towards the German election in September. It appears likely that the Green Party will be prominent in the formation of a new coalition. There are clear implications for environmental issues, but increased fiscal spending would be another likely outcome, potentially boosting near-term growth expectations for the region.

A busy week ahead sees labour market numbers, inflation, consumer confidence and PMIs all released in the UK. In Europe, the PMI series and consumer confidence are the highlights.

Chart of the week—Australia NAB business survey



Source: CBA, NAB.

The NAB business survey shows a staggering recovery in both confidence and conditions since the depths of the pandemic-induced plunge last year. The trend continued in April, with both measures rising to new record levels.

Of particular interest is the strong employment reading (within the business conditions index). The end of the Government's JobKeeper program in March appears to have had limited impact on employment, and those who may have lost their job will be well placed to find a new one based on this and a range of other measures.

Strong business confidence and conditions are mirrored in both the RBA and the Government's recently upgraded outlook for the economy, although expectations of subdued inflation and wage growth may be challenged if this strength is maintained.

Financial market movements

INDICATOR	AS AT 14-MAY-21	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES		%	%	%	%
S&P/ASX 200 Accum. Index	79,366.96	-0.63	33.72	8.68	9.57
US S&P 500 TR [^] Index	8,669.49	-1.35	48.12	17.51	17.56
Europe STOXX TR Index	918.55	-0.36	47.03	6.06	9.55
UK FTSE 100 TR Index	6,829.32	-1.16	25.44	0.48	6.80
Japan TOPIX TR Index	2,794.24	-2.57	31.82	3.40	9.18
MSCI World ex-Australia TR Index	6,616.06	-1.30	44.18	13.04	14.32
FIXED INCOME	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.04	0.07	-4.72	-62.80	-39.15
Australian 10-year bond yield	1.80	11.50	89.60	-32.64	-9.60
US 90-day bank bill yield	0.01	-0.24	-8.11	-61.79	-4.81
US 10-year bond yield	1.63	5.13	100.66	-46.01	-1.43
UK 10-year bond yield	0.86	8.20	65.30	-20.51	-10.40
German 10-year bond yield	-0.13	8.60	41.40	-24.73	-5.07
COMMODITIES		%	%	%	%
Gold	1,843.43	0.67	6.54	11.96	7.68
Oil—West Texas Crude	65.37	0.72	137.19	-2.70	7.18
Iron Ore Spot Price Index	201.10	-2.51	121.82	44.01	29.08
CURRENCIES		%	%	%	%
AUD:USD	0.78	-0.93	20.26	1.07	1.34
EUR:USD	1.21	-0.21	12.36	0.59	1.43
GBP:USD	1.41	0.81	15.27	1.31	-0.38
USD:JPY	109.35	0.69	1.96	-0.09	0.13
NZD:USD	0.73	-0.38	20.77	1.60	1.36
CHF:USD	1.11	-0.07	7.96	3.54	1.59
AUD:EUR	0.64	-0.65	7.12	0.51	-0.07
AUD:GBP	0.55	-1.58	4.48	-0.19	1.75
AUD:JPY	85.10	-0.10	22.79	1.03	1.50

*BP = Basis Point, Source: Bloomberg; [^]TR = Total return.

IMPORTANT NOTE

This document has been prepared by Crestone Wealth Management Limited (ABN 50 005 311 937, AFS Licence No. 231127) (**Crestone Wealth Management**). The information contained in this document is of a general nature and is provided for information purposes only. It is not intended to constitute advice, nor to influence a person in making a decision in relation to any financial product. To the extent that advice is provided in this document, it is general advice only and has been prepared without taking into account your objectives, financial situation or needs (your **Personal Circumstances**). Before acting on any such general advice, we recommend that you obtain professional advice and consider the appropriateness of the advice having regard to your Personal Circumstances. If the advice relates to the acquisition, or possible acquisition of a financial product, you should obtain and consider a Product Disclosure Statement (**PDS**) or other disclosure document relating to the financial product before making any decision about whether to acquire it.

Although the information and opinions contained in this document are based on sources we believe to be reliable, to the extent permitted by law, Crestone Wealth Management and its associated entities do not warrant, represent or guarantee, expressly or impliedly, that the information contained in this document is accurate, complete, reliable or current. The information is subject to change without notice and we are under no obligation to update it. Past performance is not a reliable indicator of future performance. If you intend to rely on the information, you should independently verify and assess the accuracy and completeness and obtain professional advice regarding its suitability for your Personal Circumstances.

Crestone Wealth Management, its associated entities, and any of its or their officers, employees and agents (**Crestone Group**) may receive commissions and distribution fees relating to any financial products referred to in this document. The Crestone Group may also hold, or have held, interests in any such financial products and may at any time make purchases or sales in them as principal or agent. The Crestone Group may have, or may have had in the past, a relationship with the issuers of financial products referred to in this document. To the extent possible, the Crestone Group accepts no liability for any loss or damage relating to any use or reliance on the information in this document.

This document has been authorised for distribution in Australia only. It is intended for the use of Crestone Wealth Management clients and may not be distributed or reproduced without consent.

© Crestone Wealth Management Limited 2021.